

U.S.-CAFTA-DR Free Trade Agreement **North Carolina Farmers Will Benefit.**

February 2005


Exports of farm products help boost North Carolina's farm prices and income. Such exports help support about 20,540 jobs both on and off the farm in food processing, storage, and transportation. In 2003, North Carolina's farm cash receipts were \$6.9 billion, and agricultural exports were estimated at \$1.3 billion, putting its reliance on agricultural exports at 19 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase North Carolina's exports of agricultural products.

North Carolina Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including North Carolina's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

Pork. As the top source of farm cash receipts in the state with sales ranked 2nd nationally, North Carolina pork producers benefit from the duty-free access on pork cuts for each CAFTA-DR country.

- U.S. pork exporters currently face duties as high as 47 percent, and the WTO permits duties as high as 60 percent.
- The opportunity for trade created through the TRQs total 13,613 tons, expanding by 5 to 15 percent per year until duties are eliminated.
- Central American countries will immediately eliminate duties on bacon and some offal products, while the Dominican Republic will establish TRQs for bacon and fat that expand annually.
- All CAFTA-DR duties will be eliminated within 15 years and certain products will be subject to safeguards in some countries.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The National Pork Producers Council, the American Meat Institute, the U.S. Meat Export Federation, and the National Renderers Association have expressed support publicly for the CAFTA-DR FTA.*

Poultry. As the 3rd large  agricultural export from the state, North Carolina poultry producers and processors benefit from the FTA.

- U.S. poultry exporters currently face duties as high as 164 percent on both fresh and frozen products, and the WTO permits duties as high as 250 percent.

- Each CAFTA-DR country will provide immediate duty-free access on chicken leg quarters, a product where the United States is the world's most competitive exporter, through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years.
- Costa Rica and the Dominican Republic will establish duty-free TRQs for chicken leg quarters totaling 850 metric tons, each expanding by 10 percent annually. The other four Central American countries will establish a total regional duty-free TRQ of 21,810 metric tons (with individual country minimum quota levels). After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production.
- Duties on poultry products such as wings, breast meat and mechanically de-boned poultry meat will be reduced more quickly, with many eliminated within 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The National Chicken Council, the USA Poultry and Egg Export Council, and the National Turkey Federation have expressed support publicly for the CAFTA-DR FTA.*

Cotton. As the 4th largest agricultural export from the state, North Carolina cotton producers benefit from zero tariffs that the FTA locks-in immediately for markets worth \$73.1 million to U.S. cotton suppliers. Under the WTO, CAFTA-DR countries could raise duties on cotton to 35 to 60 percent, depending on the country.

Soybeans and Products. With over 1.3 million acres planted in the state, North Carolina soybean producers will benefit from the FTA.

- Central American and Dominican import duties range from zero to 20 percent, and the WTO permits duties as high 90 percent.
- CAFTA-DR countries will provide immediate duty-free access for soybeans. Duties on soybean meal and flour will be eliminated immediately in most CAFTA-DR countries.
- Most CAFTA-DR countries will immediately eliminate duties on crude soybean oil, and the current duties on refined soybean oil phased out over 12 to 15 years.
- *The American Soybean Association, the National Grain and Feed Association, and the National Oilseed Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Tobacco. North Carolina, the nation's top exporter of tobacco, benefits from the FTA.

- Central American and Dominican import duties on leaf tobacco range from zero to 14 percent, and the WTO permits duties as high 90 percent.
- Under the FTA, duties will be immediately eliminated in El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica and the Dominican Republic will eliminate duties in 10 years.
- U.S. tariffs on tobacco will be phased-out over a 15-year period, except where current duty treatment under CBI grants duty-free access. For those products, the tariff will be set at zero immediately.